

VZCZCXYZ0003
PP RUEHWEB

DE RUEHLJ #0553 2361442
ZNY SSSSS ZZH
P 241442Z AUG 06
FM AMEMBASSY LJUBLJANA
TO RUEKJCS/SECDEF WASHDC PRIORITY
RUEHC/SECSTATE WASHDC PRIORITY 5115

S E C R E T LJUBLJANA 000553

SIPDIS

SIPDIS

DEPT FOR EUR/NCE, EUR/RPM, PM/RSAT FOR KDOWLEY

E.O. 12958: DECL: 08/23/2016
TAGS: [NATO](#) [PGOV](#) [PINR](#) [SI](#)
SUBJECT: SLOVENIA: MOD TO GET LESS MONEY THAN PLANNED FOR
2007 AND 2008

Classified By: COM Thomas B. Robertson for reason 1.4 (b) and (d)

¶1. (U) This is an action request, please see Action Request in paragraph 7.

¶2. (U) SUMMARY. The GoS's most recent budget plans for 2007 and 2008 include a defense budget of 1.65% of Gross Domestic Product (GDP) for 2007 and 1.81% of GDP for 2008, instead of the nearly 2% of GDP that was planned. While the MoD budget will continue to increase, this move will likely delay the MoD from hitting the NATO 2% of GDP target until 2010, and calls into question the government's commitment to reaching the 2% target as soon as possible. END SUMMARY.

¶3. (U) On July 21 the GoS adopted a plan for supplemental expenditures for the budget years 2007 and 2008 (federal budgets in Slovenia are adopted for two years in advance and later supplemented) that include defense budgets of 1.65% of GDP for 2007 (653 million USD) and 1.81% of GDP for 2008 (765 million USD), instead of the nearly 2% of GDP that was planned (722 million USD for 2007 and 802 million USD for 2008). The defense budget could be further supplemented by a proposed law, likely to be passed this year, which would allow the MoD to take out special loans for weapons purchases in amounts of 107 million USD, up to 963 million USD. The government's budget plan calls for an overall budget of 10.5 billion USD in 2007 and 11 billion USD in 2008.

¶4. (U) The GoS (through the Prague Capabilities Commitment) long ago promised and has repeatedly reaffirmed its commitment to increasing the defense budget to 2% of GDP by 2008, with some plans proposing to reach the target by 2007. However, the budget proposal put forward by Finance Minister Andrej Bajuk was accepted with the understanding that the MoD could fulfill its goals and obligations (including those to NATO) with the proposed budget amount. Defense Minister Karl Erjavec has been cited in the media as saying that less funding does not mean that their goals will not be reached. The media speculates that maintenance and low priority weapon purchases would be the areas to suffer as a result of the reduced increases to the MoD budget.

¶5. (S) In response to questions about the issue, MoD Desk Officer Lovro Peterlin commented that "our minister was probably just a bad negotiator" but now that the government has approved the plan it is unlikely to change. Zorica Bukinac Cimpersek from the NATO Section of the MFA's Security Policy Department said that the MFA was "caught completely offguard" by the news, that the operational level staff at MFA were not aware of the course of debate within the government and the Ministry of Finance, and that their office only learned of the issue when it appeared in the newspaper this week. She said that the Head of the Security Policy Department was currently following up on the issue with the

MoD.

16. (C) COMMENT. While the 2% of GDP spending target has been repeatedly committed to by the GoS, FinMin Bajuk seems to have convinced the government that it can put this obligation off for the time being without great notice externally (and without a major difference in operations at the MoD). Post is concerned funding issues could make it difficult for Slovenia to reach its NATO Force Goals and transformation objectives. END COMMENT.

17. (C) Action Request. COM will be meeting next week with Slovenian Ambassador to NATO Sinkovec before he returns to Brussels and will raise USG concerns about meeting the 2% target. We will also raise these concerns with the MFA, MoD, Ministry of Finance, and the Prime Minister's Office. Post recommends Washington also consider sending a strong message to the GoS through our mission at USNATO to impress upon the GoS that backpedaling on its defense funding commitment has not gone unnoticed and should be reconsidered.
ROBERTSON